



Fairfax County Internal Audit Office

Health Department
Procurement Card Audit
Final Report

June 2010

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Executive Summary

We reviewed the Health Department procurement card program which consisted of 25 cards at the time of our review. The audit population included 2,317 transactions that occurred during the period of February 2009 through January 2010. The total spending for the audit period was \$754,436.

Our review of procurement cards revealed that internal controls were adequate. Internal control procedures were well documented, a well designed separation of duties was in place, and the department appeared to be in compliance with internal controls outlined in the county Procedural Memorandum (PM) 12-02. However, we noted the following exceptions where controls needed to be strengthened:

- Procurement card limits were not in line with card usage. The actual spending for a number of cards was lower than the limits set for these cards by the department.
- There were two instances where split transactions were processed for amounts greater than individual card limits.

Scope and Objectives

This audit was performed as part of our fiscal year 2010 Annual Audit Plan and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit covered the period of February 2009 through January 2010, and our audit objectives were to determine if the department:

1. Had developed written internal procedures in accordance with PM 12-02.
2. Followed the county rules and procedures for the use of procurement cards.
3. Had adequate internal control procedures in place and that these procedures were being followed by cardholders.
4. Transactions were reasonable, in line with policy, and did not appear to be fraudulent.

Methodology

Audit methodology included a review and analysis of internal control procedures, procurement card expenditures and related accounting records of the department. Our audit approach included an examination of procurement card expenditures, records and statements; interviews of appropriate employees; and a review of internal manuals and procedures. We evaluated the processes for compliance with county PM 12-02 *Use of*

the County Procurement Card. Information was extracted from the procurement card management system for sampling and verification to source documentation during the audit; however, our audit did not include an independent review of the system controls. Our transaction testing did not rely on system controls; therefore, this was not a scope limitation.

Findings, Recommendations, and Management Response

1. Card Limitation Controls

An analysis performed on card limitation controls for Health Department procurement cards for the period of February 1, 2009, through January 31, 2010, revealed that the monthly spending limits were set higher than the actual usage for a number of p-cards. For instance, the highest monthly spending for card PATIENT CARE SVS 8 was \$609.21 with a monthly credit limit of \$5,000, and LEWINSKY ELDERLY with a monthly credit limit of \$5,000 and highest monthly spending of \$1,741.51.

Setting the procurement card limitations higher than necessary increases the county's exposure in the event the card is lost, stolen or improperly used by a county employee.

Recommendation: We recommend the Health Department review their procurement card usage in order to determine the appropriate limits that are more in line with card usage and adjust the limits accordingly.

The Health Department adjusted the credit limits during the audit. No management response is needed for this item.

2. Split Purchases

We found two instances of split purchases where multiple transactions occurred on the same day on the same card with the same vendor whose total exceeded the card single transaction limit. These instances consisted of transactions on the HERENDON HARBOR and LINCOLINIA ELDERLY cards. The transactions consisted of two separate charges for a lateral file with hutch, and purchases of arts and crafts supplies charged to the credit card on the same day.

Split transactions occur when the original purchase requirement for the same or related goods or services is broken into multiple smaller purchases which are made over a short period of time. Procedural Memorandum 12-02 prohibits split purchases and notes that these types of transactions are usually done to circumvent a card's single purchase or cycle spending limit. Purchases which are divided for other purposes such as to accommodate accounting needs or to facilitate delivery to separate locations are also considered split purchases.

Recommendation: The Health Department should utilize proper purchasing methods in accordance with the county policy. When exceptions to policy are made they should be clearly documented and approved. Further, procurement card usage should be reviewed to determine if monetary limits should be modified. Lastly, users of the cards should be reminded of the policy related to split purchases and continued non-compliance of the policy could result in the loss of card user privileges.

Management Response: We have provided additional guidance to all Health Department procurement card custodians, reminding them that split purchases are not permissible under county policy. The custodians will pass this information to the card users and financial management staff will closely review weekly transaction reports to monitor the split purchases.